

Societatea Națională de Gaze Naturale ROMGAZ SA  
Filiala de Înmagazinare Gaze Naturale DEPOGAZ Ploiești SRL

## **Evaluation report for the General Manager's Activity 2021**



## Evaluation report for the General Manager's Activity 2021

Through article 36, paragraph (5) of the Emergency Ordinance no. 109/2011 regarding corporative governance of state-owned companies, with the subsequent amendments and completions, the Board of Administration of SNGN Romgaz SA – Subsidiary Storage of Natural Gas DEPOGAZ Ploiești SRL has elaborated the General Manager Activity evaluation report for the year 2021, based on the General Manager Report for the year 2021, ratified through Decision no.4, dated 15.04.2022.

**Head of the Board of Directors**

**STĂNESCU NICOLAE BOGDAN CODRUȚ**

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**Document approved by the Decision of the Board of Administration no.4, dated 15.04.2022**

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## 1. Company presentation

The current strategic document elaboration is within the context of the relevant legislation at European and national level regarding corporate governance for state-owned companies, specifically the Emergency Ordinance no. 109/2011, approved through Regulation number 111/2016, with the subsequent amendments and completions and E.O. 722/2016 for the approval of the methodology norms for the enforcement of Government Ordinance no. 109/2011 regarding corporate governance of state-owned companies.

### Who is DEPOGAZ?

SNGN Romgaz SA – Underground Storage of Natural Gas Subsidiary DEPOGAZ Ploiești SRL (“DEPOGAZ” or „Subsidiary”) is the main underground storage operator in Romania, with a market share of approximately 90,23% of the total active storage capacity in Romania.

Through the Extraordinary General Stockholders Meeting Decision of SNGN Romgaz SA no. 10/19.12.2014, based on 2009/73/CE Directive of the European Parliament and of the European Union Council, adopted into national legislation within the Electric energy and natural gas Law no. 123/2012, with subsequent amendments and completions, the storage of natural gas activity was separated from SNGN Romgaz SA and has been undertaken by SNGN Romgaz SA – Filiala de Înmagazinare Gaze Naturale DEPOGAZ Ploiești SRL (Underground Storage of Natural Gas Subsidiary DEPOGAZ Ploiesti SRL), as independent operator starting with the 1st of April 2018.

Natural gas is stored with the purpose of:

- a) ensuring the gas supply security to final consumers;
- b) stabilizing seasonal, daily and hourly consumption variations with the available gas sources;
- c) permanent support of physical balance of SNT;
- d) realization of other commercial activities.

### DEPOGAZ VISION

To modernize the existing natural gas storage capacities and to create a higher degree of safety and flexibility, including through the multicycle use of storage capacities, thus contributing to the achievement of a competitive natural gas market, the development of energy markets and the creation of regional energy security mechanisms, according to common EU rules.

### DEPOGAZ MISSION

- Increasing the customers and stakeholders’ satisfaction;
- Ensuring the availability and promptness of the underground storage of natural gas service;
- Managing effectively and expeditiously the storage infrastructure, without affecting the interests of customers and other stakeholders.
- To develop and continuously improve the underground gas storage;
- To promote Projects of Common Interest at EU level, to that it contributes to the achievement of an integrated market at regional level.

## DEPOGAZ VALUES

- **Continuous improvement, adaptability and continuous growth;**
- **Social responsibility and respect for the surrounding environment;**
- **Efficiency and performance;**
- **Excellence** is the target we aim and encourage in everything we do, by offering innovative problem-solving solutions that ensure outstanding results for our partners.
- **Integrity** is a mandatory requirement for all DEPOGAZ employees. We promote **transparency, honesty and fairness** both within the organization, and more so in the relationship with our clients and partners.
- **Professionalism and Promptitude** define our team. We promote the importance of a fair and transparent relationship with customers.
- **Loyalty** lays at the foundation of building a long-term relationship with our clients and partners.

### 1.1. Company identification

DEPOGAZ is a state-owned company, constituted as a subsidiary, with the legal personality of a limited responsibility company (S.R.L.), in which SNGN Romgaz S.A. is sole shareholder. The company is established based on the Companies law no. 31/1990, republished, with its subsequent amendments and completions, Emergency Ordinance no. 109/2011 regarding corporate governance for state-owned companies, with subsequent amendments and completions, and functions under Romanian legislation and the Articles of Incorporation.

<b>Company name</b>	<b>SNGN Romgaz SA – Filiala de Înmagazinare Gaze Naturale DEPOGAZ Ploiești SRL</b>
<b>Headquarters address</b>	Str. Ghe. Gr. Cantacuzino, no. 184, Ploiești, jud. Prahova, postal code 100492
<b>Tel/fax no.</b>	0374-403800 / 0244-515160
<b>E-mail/ internet page</b>	secretariat@depogazploiesti.ro www.depogazploiesti.ro
<b>Unique fiscal identification number</b>	34915261
<b>Commerce Register number</b>	J29/1181/21.08.2015
<b>Main activity field</b>	CAEN Class 0910 - Activities and services related to the withdrawal of oil and natural gas*
<b>Secondary activity fields</b>	CAEN Class 5210 - Storage; CAEN Class 7022 - Consulting activities for business and management; CAEN Class 4221 – Construction works for fluids utility projects; CAEN Class 7112 – Engeneering works and technical consulting related to this;

	CAEN Class 4321 – Electrical instalations works;
	CAEN Class 7120 – Testing and technical analysis works, including for natural gas;
	CAEN Class 2562 – General mechanical operations;
	CAEN Class 5224 – Handling activities.

*\*Through Sole Associate Decision no. 1/29.01.2020 the DEPOGAZ main activity field was modified from CAEN class 5210 – „Storage” to CAEN class 0910 – „Activities and services related to the withdrawal of oil and natural gas”.*

## 1.2. Object of activity

As gas storage operator, DEPOGAZ is the legal entity that performs the gas storage activity and is responsible for the safe operation of natural gas storage facilities.

The object of activity is represented by the underground storage of natural gas, respectively, the set of activities and operations carried out by the storage operator for or in connection with the reservation of storage capacities in underground storage facilities and with the injection, storage and withdrawal from these facilities of certain quantities of natural gas.

The natural gas storage process usually takes place in two cycles (stages): the injection cycle between April and October and the withdrawal cycle between November and March, but upon request of storage customers or of the gas transmission operator, changes in standard cycles can be made.

### **Injection cycle (April - October)**

The gases taken over by the NTS are measured, purified and compressed (if necessary) and injected into the underground storage facilities of natural gas operated by DEPOGAZ through injection/withdrawal wells.

### **Withdrawal cycle (November - March)**

The gases withdrawn from each storage facility through the injection/extraction wells are directed to the conditioning installations (heating, laminating, separation of impurities), drying, compression (if necessary), measurement and delivered in SNT, having quality parameters according to the legislation in force.

## 2. Objectives and key performance indicators

Measuring the company performance represents a process which supports the improvement of its activity and the use of required resources with the purpose of efficiently achieving the strategic goals assumed by the company management and administrators through the company's Administration plan, which contains the administration component, the management component and key performance indicators both financial and nonfinancial for the calculation of the variable compensation.

**Strategic objectives included in the company Administration plan for the 2018-2022 period are derived from the Letter of Expectations issued by the Sole Shareholder SNGN ROMGAZ SA** in order to accomplish the optimization, development goals and activity diversification for natural gas underground storage by continuously reconsidering its importance, to ensure continuous security and supply flexibility for natural gas, to identify new

growth opportunities and to diversify the subsidiary's activities both at national level and regionally. The strategic objectives ensure performance growth of the subsidiary, performant management and the implementation and development of corporate governance principles.

## **2.1. Objectives**

### **2.1.1. The Administration Component**

The administration component of the Administration Plan for the period 2018-2022, was prepared in accordance with the provisions of art. 30 par. (1) of the E.O. no. 109/2011 regarding corporate governance of public companies, with subsequent amendments and completions and Government Decision no. 722/2016 for the approval of the Methodological Norms for application of some provisions of the Government Emergency Ordinance no. 109/2011 regarding corporate governance of public companies, by the Board of Administration of SNGN Romgaz SA - Natural Gas Storage Subsidiary DEPOGAZ Ploiești SRL appointed by the Decision of the Sole Shareholder no. 161/18.09.2018.

The administration component of the Administration plan was approved through Board of Administration Resolution no. no. 15/11.10.2018.

Detailed analysis of the company by its activity segments led to the proposal of strategic growth objectives, corroborated with the identification of the key performance indicators set for the mandate period.

#### **2.1.1.1. Strategic Objectives**

The strategic objectives of the company for the period 2018-2022 are formulated in order to capitalize opportunities and to consolidate the existing company strengths.

- A. Increasing the daily withdrawal capacity of gas storage facilities.  
To reach this objective, DEPOGAZ planned "Modernizing the infrastructure of the Bilciurești gas storage system".
- B. Increasing the storage capacity for natural gas in existing UGS.  
In order to achieve this objective, DEPOGAZ aimed to update the feasibility studies regarding:
- Increasing the gas storage capacity in the Sărmășel underground storage facility from 900 million cubic meters/cycle to 1,550 million cubic meters/cycle - stage II
  - Increasing the gas storage capacity in the Ghercești underground storage facility from 150 million cubic meters/cycle to 600 million cubic meters/cycle - stage II
- C. Transformation of new depleted gas fields into underground gas storage facilities.  
To reach this objective, DEPOGAZ aims to:
- Elaborate a feasibility study for the transformation into an underground storage facility of a field located in the northeastern part of Romania (MOLDOVA) with an active capacity of approx. 200 million m<sup>3</sup>/cycle;
  - Elaborate of a feasibility study for the transformation into an underground storage facility of a field located in the southwestern part of Romania (OLTENIA) with an active capacity of approx. 400 million m<sup>3</sup>/cycle.

### **2.1.1.2. General objectives**

1. Optimizing, developing and diversifying the activity of underground natural gas storage through reconsidering its importance, in order to ensure the security of continuous and flexible supply of natural gas process.
2. Increasing the underground gas storage capacity.
3. Increasing the subsidiary's performance.
4. Increasing the efficiency of underground storage facilities in order to improve natural gas withdrawal capacity.
5. Increasing the daily withdrawal capacity from storage facilities through investments which diminish the natural gas import dependence.
6. Optimizing and improving the organizational structure of the subsidiary.
7. Extending the activity of the subsidiary to a regional level through the identification of new business opportunities.
8. Consolidating the position on the market for the supply of underground storage of natural gas services.
9. Implementing corporate governance and a new code of ethics and integrity.
10. Developing reporting capabilities, control and risk management.
11. Responsible and active involvement into corporate social responsibility actions.

### **2.1.2. Management Component**

The management component of the Administration Plan for the period 2018-2022, was prepared in accordance with the provisions of art. 36 par. (1) of the E.O. no. 109/2011 regarding corporate governance of public companies, with subsequent amendments and completions and Government Decision no. 722/2016 for the approval of the Methodological Norms for application of some provisions of the Government Emergency Ordinance no. 109/2011 regarding corporate governance of public companies, by the General Manager of DEPOGAZ appointed through the Board of Administration Decision no. 17/09.11.2018.

The General Director has the attributes stated in the mandate Contract no. 228/15.11.2018, in the Board of Directors' Internal Code and in the Articles of Incorporation, amended with the subsequent applicable laws.

According to the Board of Administration Internal Code, the General Director attributes include:

- a) The elaboration of the management plan submitted for approval to the Board;
- b) fulfilling the objectives and performance criteria of the company provided in the mandate contract;
- c) overseeing the strategy development, multi-annual business plans and the annual budget as well as presenting them to the Board for verification and approval;
- d) coordonating the executive directors' activity;
- e) applying the main activity and development plans of the company;
- f) ensuring the implementation of efficient risk management and internal control systems;
- g) Informing the Board of Directors, regularly, of the operations both underway as well as the ones planned for the future, including trimestral reports over the mandate execution;
- h) any other task delegated to him by the Board.



The General Manager provides the Board of Administration, on a regular and comprehensive basis, with detailed information on all important aspects of the company's business. In addition, any event of major importance shall be notified immediately to the Board of Directors. The General Manager approves the content of all the material submitted to the Board, and also presents its content, the legality and necessity or depending on the case, their opportunity, as these documents constitute the foundation for decisions made by the Board of Directors.

Also, any member of the Board of Administration can request information from the General Manager regarding the operative management of the company.

The Management Component of the Administration Plan was based on the managerial vision of the General Manager for the strategic development of DEPOGAZ in the period 2018 - 2022, based on the evolution of the natural gas storage activity, the context and current trends in the storage service market at national and international level, as well as the forecasts and perspectives which can be anticipated, so as to ensure the maintenance of a modern company, financially viable, economically sustainable, a storage operator that provides quality services to customers and meets the expectations of stakeholders, an economic operator with responsibility to society and the environment, in the conditions of a sustainable development.

The Management component of the Administration plan was approved through the Board of Administration Resolution no. 19/04.12.2018.

The Management component of the Administration plan presents the managerial team's action plan to reach objectives and performance indicators, actions which presume designing, implementing, monitoring and evaluating the suitable managerial processes, support actions in reaching the desired goals.

The Management component of the Administration plan was elaborated based on DEPOGAZ goals and strategic objectives, as natural gas storage operator, according to the sole shareholder's expectations, SNGN Romgaz SA and in the current socio-economic context.

In the elaboration of the Management component, the DEPOGAZ Management took into account the priorities and key targets of the activity of SNGN Romgaz SA - Natural Gas Storage Subsidiary DEPOGAZ Ploiești SRL, as well as the risks to which the Subsidiary is exposed.

The strategic objectives of DEPOGAZ for the period 2018-2022 are formulated based on the diagnostic analysis performed and the proposed development directions, in order to capitalize on the opportunities and consolidate the existing strengths of the company, each objective being associated with specific actions for to be fulfilled.

### 2.1.2.1. Strategic directions

#### I. Increasing the performance of the Subsidiary

##### Strategic directions:

- ✓ Coherent use of the company's financial resources through substantiating, monitoring and analyzing the budget execution;
- ✓ Increasing the activity profitability through the efficient use of material, human and financial resources;
- ✓ Optimizing operating expenses and maintaining a growth level for them which is lower than the operating revenue growth;
- ✓ Improving the process of procurement products, works and services through dynamic planning and prioritization, with the purpose of ensuring on time and in optimal quantities the products and services needed for the development of current and investment activity;
- ✓ Continuous growth of labor force qualification for the personnel and of its motivation in order to improve company performances and, implicitly, of the labor productivity;

##### Directions of action:

###### Financial management:

- ✓ Consolidating the financial management of the Subsidiary through the efficient management of the financing, risk and performance processes.
- ✓ Ensuring capital use efficiency through continuous monitoring of the financial effort for each decision to be made within the managed period;
- ✓ Creating the necessary funds for the Subsidiary, at the appropriate time, in the structure and quality conditions required by the needs, at the lowest possible cost;
- ✓ Ensuring the financial support necessary in order to perform on the market, through the following:
  - monitoring the way of capital use and influencing the decision factors from other responsibility centers, in the direction which ensures an efficient use of all the funds attracted in the circuit;
  - ensuring and maintaining financial balance both on short and on long term, in accordance with the needs of the Subsidiary;
  - permanently controlling the economic processes to ensure the desired financial result and allocating it to the destinations established through the subsidiary's scope and objectives.
  - verifying and assessing the results in order to identify deviations and causes which have generated them, the strengths and weaknesses of the company, as well as the measures which must be taken in order to correct and avoid such deviations in the future.

**Human resources management:**

- ✓ Improving human resources management at subsidiary level through continuous growth of qualification level of the staff in order to maintain and improve the **existing technical expertise within the Subsidiary.**
- ✓ Financial and non-financial motivation of the staff in order to ensure performance improvement of the company and implicitly of the labor productivity;
- ✓ Rigorous planning of human resources in order to ensure the natural gas storage activity continuity

As of January 01st, 2021 the Subsidiary had a number of 516 employees.

Evolution of the number of DEPOGAZ employees between January 01st and December 31st, 2021:

Specifications	2021
Number of employees at the beginning of the period	516
Number of newly employed people	22
Number of people which ceased employment within subsidiary	37
Number of employees at the end of the period	501

Personnel structure at the end of 2021 is as follows:

**a) By level of education**

- Higher education 181
- Secondary education 167
- Other 153

**b) By age category**

- Under 30 40
- 30 – 40 years old 68
- 40 - 50 years old 144
- 50 – 60 years old 209
- Over 60 years old 40

**c) By activities – gas storage 100%**

Subsidiary personnel structure is presented in the table below:

Entity	Workers	Foremen	TESA	Total
Headquarters	22	0	156	178
Craiova storage unit	50	3	6	59
Transilvania storage unit	19	3	4	26
South storage unit	87	7	7	101
Compressor unit	112	16	9	137
<b>TOTAL</b>	<b>290</b>	<b>29</b>	<b>182</b>	<b>501</b>

Throughout 2021, the professional training activity within DEPOGAZ aimed at organizing programs according to the approved annual training plan, those initiated by the requirements arising from legislative changes, and updating the validity of compulsory authorizations according to legal requirements, for DEPOGAZ employees.

As a result, in 2021, a number of 274 employees participated in professional qualification courses, the expenses related to them being 224,254.04 lei.

The annual professional training plan was accomplished as follows:

- 203 people participated in professional training programs / courses according to the nature of their activity
- 71 people participated in courses/ monitoring/ examinations, in order to extend or obtain authorizations;

In more details, the training programs during this period had the following objectives:

- a unitary application, at subsidiary level, of the provisions contained in the normative acts with impact on the procedures for awarding execution contracts for sectoral works, projects, through the training program: "Procurement and investment contract management applied for HG 1 / 2018, with application in the implementation of investment objectives";
- acquiring advanced knowledge according to requirements of Law no. 481/2004, on civil protection and according to the need to meet the legislative requirements in the field of Civil Protection;
- improvement of professional activity and fulfillment of the legislative requirements in the field of the annual professional training for the internal public auditors in the field of the labor legislation;
- fulfilling the legislative requirements in the field of regulated labor relations, annual professional training by organizing the course: "Expert labor legislation, ANC authorized course";
- to acquire advanced knowledge in environmental legislation, in continuous alignment with the requirements of the European Directives, thus responding to the needs for training elaborated by the Environmental Protection organizational unit, by participating in the training course on "Regulation (EU) 1907/2006 REACH on the management of dangerous substances - legislative news";
- obtaining a high-performance qualification, adapted to the objectives and structure of the latest editions of ISO standards by participating in the course for "Internal auditor for the integrated management system quality-environment-health and safety at work (SR EN ISO 9001: 2015, 14001: 2015 and SR ISO 45001: 2018)";
- understanding the functioning of the organization in terms of financial balances, management reporting systems and familiarization with the main methods and techniques of budgeting by participating in the online course on "Cashflow management and budgeting 2021";
- according to recommendation received from the SMI unit regarding the identification of the training needs of the responsible personnel in the field of security management and the provision of the training thus identified according to annex 4 of Law no. 59/2016 on the control of major accident hazards in which dangerous substances are involved, the training course: "Responsible for site security and management. Obligations arising from the application of SEVESO III" was organized;
- acquiring advanced knowledge and practical skills in order to correctly implement the standards for internal managerial control, for management of objectives and risks by participating in the training course on "Correct implementation of standards of internal managerial control";

- mastering the negotiation skills that allow a practical approach to situations that may arise in projects and contracts, the ability to use certain strategies, techniques and tactics of negotiation to gain a competitive advantage, but also to eliminate potential problems the subsidiary might face, by participating in the training course with the topic "Negotiation skills";
- basic knowledge for directly involved employees on the line of safety and health at work, as well as training in order to be able to implement efficiently basic notions in the labor protection activity, through the training course. "Acknowledge the importance of HSE";
- the possibility of acquiring the profession with COD code 242227, according to MMFPSPV Order 2176/2013, respectively INS Order 931/2013, through the participation of an employee in the professional training course "Liaison officer for the security of national / European critical infrastructures";
- for the staff whose validity of the authorizations expires, seminar / schooling modules or exams have been organizing in order to obtain / extend them, considering the exercise of the profession by the employees in accordance with the provisions in force;

The salary expenditures were within the limits provided in the Revenue and Expenditure Budget for 2021.

Within DEPOGAZ two trade union organizations coexist, namely: "Sindicatul Liber Romgaz", which has 128 members and "Sindicatul Filiala de Înmagazinare Gaze Naturale Depogaz Ploiești", which has 363 members.

Thus, the total number of union members within DEPOGAZ is 491 out of the total number of employees of 501, resulting in a degree of unionization of 98%.

Relationships between manager and employees: a Collective Labor Agreement negotiated with the "Sindicatul Liber Romgaz" is in force, agreement to which the "Sindicatul Filiala de Înmagazinare Gaze Naturale Depogaz Ploiești" also adhered. The collective labor Agreement validity was extended, according to the provisions of art. 20 paragraph (1) of Law no. 55/2020 regarding measures to prevent and combat the effects of the COVID-19 pandemic: "The validity of collective labor agreements and collective labor agreements is extended for the period of the state of alert, as well as for 90 extra days after the termination of the state of alert".

### **Risk management:**

- Designing, implementing and consolidating a performant managerial internal control by creating the 'Managerial internal control system program', which is updated annually. The Program contains the Subsidiary objectives in the managerial internal control field, structured based on the implementation and development stages and for each managerial internal control stage activities are established, people responsible are nominated and deadlines are set as well as other relevant elements for the implementation and development of the managerial internal control system.

Realizing a coherent risk management for the Subsidiary requires:

- prior analysis of all risk exposures, the identification of risk sources being fundamental and decisive in the correct assessment of the risks of the public entity;
- identification of significant/strategic risks, which may affect the effectiveness and efficiency of activities related to specific objectives, without ignoring the rules and regulations, the trust in financial information and in management, protection of assets, prevention and detection of fraud;

- defining the degree of tolerance/acceptable level of risk exposure;
- assessing the probability that the risk will materialize, establishing the impact and exposure;
- establishing the strategy (control procedures) to manage and monitor the risks;
- reducing the Subsidiary's vulnerability through risk management implementation according to its risk profile and creating the Risk register, the Risk Profile and the Plan for the implementation of control measures;
- developing a risk management culture at Subsidiary level through the development and implementation of a performant risk management system as integrated part in the decision process.

At DEPOGAZ level, the Report on the internal managerial control system as of December 31, 2021 - Annex 4.3 - GSO no. 600/2018, was elaborated and further approved by the General Manager and contains the following specifications:

- *the Monitoring Commission is functional;*
- *the development program of the internal managerial control system is implemented and updated annually;*
- *the risk management process is organized and monitored;*
- *the risk register at DEPOGAZ level is updated annually, and whenever necessary;*
- *the documented procedures are elaborated/updated in proportion of 100% of the total inventoried procedural activities;*
- *the performance monitoring system is established and evaluated for the entity's objectives and activities, through performance indicators.*
- *the Internal Public Audit organizational unit is functional and consists of two people.*

Following the self-assessment of the internal managerial control system at the level of SNGN ROMGAZ SA - Natural Gas Storage Subsidiary DEPOGAZ Ploiești SRL the Report on the internal managerial control system as of December 31st, 2021 was elaborated and approved by the General Manager, in accordance with Annex 4.3 - Order SG 600/2018.

The report provides a clear picture of the state of implementation and development of the subsidiary's internal control system. Based on the results of the self-assessment as of December 31st, 2021, the internal managerial control system of SNGN ROMGAZ SA - Natural Gas Storage Subsidiary DEPOGAZ Ploiești SRL complies with the standards contained in the Code of internal managerial control.

#### **Integrated management system:**

#### **I. Following the Assessment performed by the management, the following measures were taken**

##### **Carrying out the measures ordered by the General Manager following the assessment Analysis performed by the management**

- The operational procedure which establishes the way of carrying out the transport activity and the responsibilities related to the persons involved was elaborated within the SMI department in collaboration with the specialized department;
- The operational procedure regarding the safety stocks was elaborated within the SMI department in collaboration with the specialized department;

- The operational procedure regarding the annual program of sectoral acquisitions was elaborated within the SMI department in collaboration with the specialized department
- The operational procedure regarding estimating the value of sectoral acquisitions was elaborated within the SMI department in collaboration with the specialized department.

## II. Identifying stakeholders and determining the needs and expectations as stipulated in ISO 9001, ISO 14001 and 45001 standards.

The stakeholder review requested through address of 27.01.2021 included the identification and systematization of key stakeholders, the evaluation of objectives, collecting information about them and using this knowledge in the strategic management process and applying the adopted strategy.

After identifying the requirements of the stakeholders, it was also determined how the company complies with them. Also, at this stage it was determined what needs to be done to increase the level of satisfaction and involvement of stakeholders. Once the requirements of the stakeholders were identified, a document stating their responsibilities was provided.

## III. Carrying out the areas for improvement ordered by the General Manager, recommended by SRAC CERT following the external.

Nr.	Reference	Area of improvement	Activity / Domain	Deadline
1.	ISO 9001	Revision of documentation and risks regarding the Customer Relations, due to the modifications of the ANRE regulations regarding the liberalization of the price for gas storage.	Customer relations	May 2021
2.	ISO 14001	Continue to record specific risks on compliance obligations.	Environmental protection	June 2021

Taking into account the area of improvement, the provisions of the standard SR EN ISO 9001: 2015, of the Emergency Ordinance no. 106/2020 and of Law no. 155/2020 for the amendment and completion of the Law on electricity and natural gas no. 123/2012, the documents used in the Customer Relationship Process were analyzed and reviewed, within the Integrated Management Department in collaboration with the Commercial Department, as follows

Nr.	Name of document	Document code	Date of approval	Edition / revision in force
1.	Customer relation	PP-03	08.06.2021	2/0
2.	Access to UGS	03PO-01	08.06.2021	2/1

3.	Conclusion of contract / addendum for the underground storage of natural gas	03PO-02	08.06.2021	2/1
4.	Follow up for the contract of underground storage of natural gas	03PO-03	08.06.2021	2/1
5.	Evaluating customer satisfaction	03PO-04	08.06.2021	2/1
6.	Settlement of disputes arising from the conclusion of the storage contract / addendum to the storage contract	03PO-05	08.06.2021	2/1
7.	Settlement of disputes arising from access to UGS	03PO-06	08.06.2021	2/1
8.	Process sheet: Assessing customer satisfaction	Included in procedure no. 03PO-04 Evaluating customer satisfaction	08.06.2021	2/1
9.	Process sheet: Customer relation	Included in procedure PP-03 Customer relation	08.06.2021	2/1

**IV. Continuous improvement of SMI documentations according to reference standards and legal requirements that DEPOGAZ has subscribed to.**

In order to avoid situations where the documents of SMI might become inapplicable, to eliminate the confusion of responsibilities and possible errors in the implementation process that may affect the activity of the organization, the SMI department constantly monitors and verifies all changes brought by the organization's regulations in force, etc.

The SMI department studies the impact of the changes on the DEPOGAZ activity and informs the General Manager, the HSEQ Manager and the other persons in charge of the process. The management permanently disposes and approves the modification of the documented information (procedures / work instructions / forms / registers, regulations) so that the integrity of the SMI is not affected.

A copy of all editions and revisions of the integrated management system documents is archived throughout the maintenance of the system.

External source documents related to the integrated management system, which may have a significant impact, are updated by the responsible functions nominated by decisions of the General Manager.



In order to mitigate the risk of non-compliance with obligations, SMI department is constantly updating the Matrix of applicability of the legislation in the field of activity / processes, code: 00F-092. The matrix is uploaded on the Infoweb portal and updated according to Decision no. 299 / 22.11.2021.

Following the internal audits initiated by the SMI department or the verifications made on the internal legislation and regulations, in collaboration with the specialized organizational units (OU), the following documents were analyzed and verified within the deadlines established by the process managers:

Nr.	Name of document	Code of document	Date of approval
<b>Acquisition process</b>			
1.	Organizing and conducting the sectoral acquisition procedures	02PO-02	06.05.2021 24.12.2021
2.	Establishing the requirements for safety, health, emergency situations and environmental protection when acquiring products, services, works	02IL-05	08.06.2021 12.07.2021
3.	Determining the estimated value of the sectoral acquisition	02PO-03	24.12.2021
4.	Elaborating and updating the annual program of sectoral acquisitions	02PO-04	24.12.2021
<b>Economic Process</b>			
5.	Verification, registration and settlement of travel orders	10PO-26	06.05.2021
6.	Organizing and exercising preventive financial control	10PO-20	29.06.2021
7.	Process of approval and payment of suppliers' invoice	10PO-19	28.06.2021
8.	Settlement of tourist service packages	10PO-36	29.06.2021
<b>Ensuring the Infrastructure process</b>			
9.	GIS database administration and updating	06IL-18	28.06.2021
10.	Investment projects	06IL-02	14.12.2021
11.	Well setting	06IL-12	14.12.2021
12.	Upgrading the license of the SSO	06PO-02	14.12.2021
<b>Ensuring the Infrastructure process</b>			
13.	Obtaining the building permit for surface technological installations used in gas storage	06PO-03	14.12.2021
14.	Issuance of the site permit in order to authorize the execution of constructions located in the vicinity of the objectives operated by Depogaz	06PO-07	29.06.2021
15.	Authorization of electricians in terms of HSEQ	06PO-10	13.11.2021 14.12.2021
<b>IT Process</b>			
16.	PC Installing and configuring – no SO image	07IL-08	29.09.2021

17.	PC Installing and configuring – with SO image and preinstalled software	07IL-09	29.09.2021
18.	Registry for missing IT	07IL-10	29.09.2021
19.	Supplier database update and maintenance	07IL-11	29.09.2021
20.	Administering access rights on Portal WEB	07IL-12	29.09.2021
21.	Server installing and configuring	07IL-14	29.09.2021
22.	Network printing	07IL-01	29.09.2021
23.	Scanning the documents	07IL-02	29.09.2021
24.	Publishing WEB content	07IL-03	29.09.2021
25.	Mobile telephony	07IL-04	29.09.2021
26.	Installing a network printer	07IL-05	29.09.2021
27.	CHECKPOINT CAPSULE WORKSPACE – installing and configuring	07IL-06	29.09.2021
28.	Software installation	07IL-07	29.09.2021
<b>Evaluation and Control Process</b>			
29.	Analysis and approval of technical and technical-economic documentation in the Technical-Economic Council	04PO- 03	19.10.2021
<b>Natural gas Storage Process</b>			
30.	Dispatching natural gas for storage	05PO-03	29.11.2021
31.	Injection of natural gas in UGS and monitoring the operating parameters	05PO-07	29.11.2021
32.	Withdrawal of natural gas from UGS and monitoring the operating parameters	05PO-08	29.11.2021
33.	Elaborating the annual program of underground gas storage operations	05PO-01	29.09.2021
<b>Natural gas Storage Process</b>			
34.	Program of static measurements in the field at the end of the injection / withdrawal cycle	05PO-02	29.09.2021
35.	Requesting and monitoring special operations at storage wells	05PO-05	29.09.2021

**V. The internal evaluation of the Security Management system according to Law 59/2016 concerning the control of major accident risks implying dangerous substances – SEVESO Audit**

The internal audit was carried out based on the Internal Audit Program, elaborated by SMI responsible person, endorsed by the HSEQ Manager and approved by the General Manager on 20.05.2021.

**Audit Objectives and criteria**

Objective of Audit	Audit Criteria
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<b>Periodic assessment of the compliance of the activity with the PPAM (Major accident prevention policy).</b>	<ul style="list-style-type: none"> <li>• Law no. 59/2016 on the control of major accident hazards involving dangerous substances;</li> <li>• Major accident prevention policy</li> </ul>
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➤ **Audited areas/ non-conformities found/recommendations**

Nr.	No of planned audits/ area /location	Non-conformities found	recommendations
1.	7	2 (two)	7

➤ **Recommendations initiated during the audit**

- Posting major accident prevention policies (PPAM) on the DEPOGAZ website
- Analysis and review of major accident prevention policies (PPAM) on the DEPOGAZ website together with the coordinators of the security management system within the headquarters
- Analysis of job descriptions.

The results of the audits were organized in audit reports and were reported to the HSEQ Manager and to the Process Responsible persons of the organizational units audited.

Two nonconformities described in the Nonconformities and Corrective Action Reports, code: 00F-5, were identified in sufficient detail to enable the persons responsible from the audited organizational units to establish and implement the necessary corrective actions.

Verification of the implementation and efficiency of corrective actions is done through surveillance audits.

The Audit reports are input for the Management Analysis.

**VI. The Development and revision of the Safety Management System**

The audits on the periodic assessment of the compliance of the activity with the PPAM (Major Accident Prevention Policy) carried out on the basis of the SEVESO Internal Audit Program with internal auditors of the SMI within the Integrated Management Office led to the need to review the documentation.

The HSEQ Manager ordered the specific departments that, together with the SMI unit, to undertake actions for the revision of the documents imposed by Law No. 59/2016 of 11 April 2016 on the control of major-accident hazards involving dangerous substances and the development of the Safety Management System

**VII. Identification and assessment of environmental issues (AM)**

According to the system procedure PS -12 Identification and assessment of environmental aspects, the review of environmental aspects is done at least once a year, even if there are no new works, developments / modernizations, installations / equipment whose operation was partially or permanently shut down due to preservation or dismantling

The identification of environmental aspects was carried out in collaboration with the persons in charge from subunits, gas storage units, compressor stations and the Environmental Protection Service for:

- a. all activities and sub-activities related to the processes included in the scope of the SMI, in all foreseeable and probable operating situations (normal, abnormal and emergency).

- b. materials, goods and services that may have an impact on the environment and are supplied by suppliers.
- c. whenever significant changes occur (new activity / cessation of activity, upgrades, changes in technology, new materials, replacement of old equipment with high performance, work equipment, chemical substances or preparations used, amended legal requirements and other requirements at which DEPOGAZ subscribes, etc.) in a process.
- d. unintended products (atmospheric emissions, sewage, waste, noise, vibration, etc.) that produce or may have an impact on the environment, for both normal, abnormal and emergency situations.

The identification and evaluation of the environmental aspects is based on the inputs and outputs, followed by the completion, reviewal and approval of the forms:

- Algorithm for assessing the significance of the environmental aspect, code: 00F-130;
- AM list on UO, code: 00F-121;
- Environmental aspects record sheet, code: 00F-127.

The list of process AM, code: 00F-121 is posted on the portal <http://depogaz/Reglementări> by the SMI unit.

No	No. of locations (identification and evaluation of environmental aspects)	Environmental aspects identified/locations	Significant aspects
1.	9	44	0

### VIII. Internal audit regarding the Integrated Management System of DEPOGAZ

The internal audit of SMI was carried out according to the Internal Audit Program no. 1 and to the audit plans. Internal audit program no. 1 was developed within the Integrated Management department, reviewed by the HSEQ Manager and approved by the General Manager of DEPOGAZ on 21.09.2021

#### ➤ Audit Objectives and Criteria

Audit Objective	Audit criteria
Capability of the integrated system to continue to fulfill the requirements of the standards ISO 9001:2015, ISO 14001:2015, ISO 45001:2018	<ul style="list-style-type: none"> <li>• organization and management</li> <li>• key personnel, decision-making or technical personnel,</li> <li>• environmental management,</li> <li>• occupational health and safety management;</li> <li>• objectives and risks,</li> <li>• legal and other requirements,</li> <li>• area of operations within the certified management system</li> <li>• procedures, instructions, regulations, etc.</li> <li>• opportunities for improvement,</li> <li>• major changes to the management system and processes</li> <li>• operations within the organizational unit</li> </ul>

➤ **Planned audits**

Number of planned audits	Number of realized audits	Nonconformities	Number of recommendations
46	46	-	26

➤ **Recommendations during audit**

- Periodic analysis of the DEPOGAZ website and of the documents posted,
- Analysis and revision of SMI documents following legislative changes,
- Periodic training of DEPOGAZ managers with working instruction 02IL-04, "Storage, loading, unloading and handling of supplied products",
- Management risk analysis, related to the risks identified in the procedures developed,
- Correlation of the objectives, risks and performance indicators identified in the process procedures with the risks and objectives determined according to the procedures PS-08 Management of objectives and PS-07 Management of risks in force,
- Revision of job descriptions, establishment of reporting lines and division of responsibilities related to the activity carried out,
- Revision of the Organization and Functioning Regulation taking into account the organizational changes and the attributions of the organizational units

**IX. Management analysis of the General Manager of DEPOGAZ**

The process is carried out under the direct guidance of the General Manager according to the procedure 04PO-01 Analysis performed by the management. The analysis was performed by the Board of Administration of the Integrated Management System of DEPOGAZ to assess the ability of the integrated management system to continue to meet the requirements of ISO 9001: 2015, ISO 14001: 2015, ISO 45001: 2018.

The necessary measures have been established for the maintenance and development of the SMI.

The application and implementation of the measures are the responsibility of the process managers / heads of the organizational units / staff involved in the implementation of the established measures.

The Analysis report performed by the management is based on the results of the monitoring of the processes included in the Integrated Management System implemented within DEPOGAZ and on the evidence provided by the internal audit and external audit reports.

**X. External recertification audit**

The recertification audit carried out by SRAC CERT certification organization took place between 23 and 26.11.2021 according to the Audit Program no. 1 / 21.01.2021.

The auditors from the Integrated Management unit have regularly participated in the audits performed by the SRAC CERT audit team.

DEPOGAZ must take into account that the signatures of the external auditors do not imply in any way the personal responsibility in case of incidents, accidents or errors committed by the organization, after the external audit.

The General Manager of DEPOGAZ has demonstrated that he supports the activity of the Integrated Management department and ensures all the necessary resources to maintain and continuously improve the effectiveness of the Integrated Management System Quality - Environment - Health and Safety at Work

➤ **Planned Audits**

Number of planned audits	Number of realized audits	Nonconformities	Area for improvement
20	20	0	1

➤ **Conclusions of the audit team:**

The audit was carried out accordingly, in compliance with the provisions of the contract concluded with SRAC CERT, with the applicable SRAC CERT procedures and the audit plan.

Certification implies the compliance of the management systems with the reference standards and does not imply the conformity with the laws in force, which constitutes the exclusive responsibility of the organization. Management standards require the organization to meet all applicable legal and regulatory requirements within the management system.

During the audit, the staff of the audited organization collaborated with the audit team and provided objective evidence of the audited activities. The implemented management system complies with the requirements of the reference standards and works efficiently.

***II. Optimization, development and diversification of underground storage activity***

**Strategic directions**

**1. Increasing the total storage capacity so as to provide security, continuity and flexibility in the supply of natural gas by:**

- a. Developing the existing capacity through an increase in storage capacity, according to an investment program carried out for a period of 5 years, respectively 20 years, taking into account the evolution of the natural gas market.
- b. Development of the daily withdrawal capacity from UGS, in order to Romania's energy independence;
- c. Developing storage capacity to play an important role in the SE area of Europe.

**2. Ensuring a high flexibility in offering new services on the storage market by:**

- a. Realization of multicycle storage services;
- b. Carrying out hourly extraction / injection services so that the beneficiaries of the DEPOGAZ can also have flexibility in the delivery of natural gas to their customers.

**3. The construction of new UGS so as to ensure security of supply for areas deficient in terms of gas supply, namely:**

- a. Moldova area - supply of the N-E area of the country and supply of natural gas to the Republic of Moldova;
- b. S-V area of Romania and possibly the supply of natural gas to Serbia and Bulgaria;
- c. Reducing Romania's dependence on natural gas supply for imported gas;
- d. DEPOGAZ to become a major regional player in the SE area of Europe.

**The Investment Program planned for the natural gas storage system 2018-2022**

The natural gas market in Romania is a relatively mature market and one of the most developed at European level as far as annual demand, available resources and the transmission infrastructure, distribution and underground storage of natural gas. Romania is also one of the few European countries to have a reduced dependence on external natural gas sources in order to meet internal demand, most of the natural gas supply being covered by internal production.

DEPOGAZ owns the operating License no. 1942/2014 for 5 natural gas underground storage facilities, developed in depleted gas fields, which represent approximately 90,5% of Romania's total storage capacity.

The storage capacity for the underground storage facilities operated by DEPOGAZ, starting with the 1<sup>st</sup> of January 2021, is presented in the table below:

Storage facility	Active capacity		Extraction capacity		Injection capacity	
	[mil. st m <sup>3</sup> /cycle]	[TWh/cycle]	[mil. st m <sup>3</sup> /day]	[GWh/zi]	[mil. st m <sup>3</sup> /cycle]	[TWh/cycle]
<b>Bălăceanca</b>	50	0.545	1.200	13.080	1.000	10.900
<b>Bilciurești</b>	1,310	14.214	14.000	151.900	10.000	108.500
<b>Ghercești</b>	150	1.602	2.000	21.360	2.000	21.360
<b>Sărmășel</b>	900	9.522	7.500	79.350	6.500	68.770
<b>Urziceni</b>	360	3.953	4.500	49.410	3.000	32.940
<b>Total</b>	<b>2,770</b>	<b>29.836</b>	<b>29.200</b>	<b>315.100</b>	<b>22.500</b>	<b>242.470</b>

***Bălăceanca storage facility***

The Bălăceanca structure is situated at approx. 4 km from Bucharest.

The fixed assets which are used for the storage process are the following:

- 24 wells of which 21 Injection/extraction wells and 3 piezometric wells;
- The surface infrastructure contains:
  - ✓ gas compressor station Bălăceanca;
  - ✓ 8,4 km collecting pipelines;
  - ✓ 4 separators;

- ✓ 4 gas technological measurement facilities;
- ✓ gas drying station;
- ✓ 15 gas well heaters;
- ✓ communication system and acquisition of parameters through fiber optics;
- ✓ bidirectional fiscal measurement panel.

#### ***Bilciurești storage facility***

The Bilciurești facility is situated in Dambovită county, at approx. 40 km W-NW of Bucharest.

The fixed assets used for the storage process are the following:

- 61 wells out of which 57 injection/extraction wells, 3 piezometric wells, 1 residual water injection well;
- The surface infrastructure contains:
  - ✓ gas compressor station Butimanu;
  - ✓ 7 gas drying station;
  - ✓ 26,5 km collecting pipelines corresponding to the 57 injection/withdrawal wells;
  - ✓ 50 gas well heaters;
  - ✓ 24 impurity separators;
  - ✓ 14 gas technological measurement facilities;
  - ✓ 37,5 km collecting pipelines;
  - ✓ bidirectional fiscal measurement panel;
  - ✓ residual water injection station.

#### ***Ghercești storage facility***

The Ghercești storage facility is located in Dolj county, in close vicinity to Craiova city.

The fixed assets used for the storage process are the following:

- 85 wells out of which 79 injection/withdrawal wells and 6 piezometric wells;
- The surface infrastructure contains:
  - ✓ 135.7 km collecting pipes related to the 79 wells;
  - ✓ 22.6 km of collecting pipes;
  - ✓ 13 impurity separators;
  - ✓ 12 gas technological measurement facilities;
  - ✓ one gas drying station;
  - ✓ communication system and acquisition of parameters through fiber optics;
  - ✓ bidirectional panel of fiscal measure.

#### ***Sărmășel storage facility***

The Sărmășel storage facility is located in the perimeter of Sărmășel locality, 35 km NW of Târgu-Mureș Municipality, 35 km N of Luduș and 48 km E of Cluj-Napoca Municipality.

The fixed assets used for the storage process are the following:

- 63 wells;
- The surface infrastructure contains:
  - ✓ Sărmășel gas compression station;
  - ✓ 3 natural gas drying modules which use triethylene glycol;



- ✓ 26.7 km of collecting pipes related to the 63 wells;
- ✓ 13.8 km of collecting pipes;
- ✓ 59 impurity separators;
- ✓ bidirectional panel of fiscal measure.

### **Urziceni storage facility**

The Urziceni storage facility is located in Ialomița County, about 50 km NE of Bucharest.

The fixed assets used for the gas storage process are the following:

- 31 wells of which 30 injection/withdrawal wells and 1 piezometric well;
- The surface infrastructure contains:
  - ✓ Urziceni gas compressor station;
  - ✓ 19.5 km of collecting pipes related to the 31 wells;
  - ✓ 3.3 km of collecting pipes;
  - ✓ 6 gas technological measurement facilities;
  - ✓ 29 gas well heaters;
  - ✓ 1 gas drying station;
  - ✓ fiber optic parameters acquisition system;
  - ✓ bidirectional system of fiscal measurement.

In order to increase the natural gas storage capacity for the facilities operated by DEPOGAZ, the following investment projects are planned:

<b>No. and project name</b>	<b><u>1. Modernization of gas storage facility – Bilciurești</u></b>
<b>Purpose</b>	The project's purpose is to increase the daily gas delivery capacity from the Bilciurești storage to 20 million m <sup>3</sup> /day and to ensure a high level of safety in operation.
<b>Necessary investment works</b>	<ul style="list-style-type: none"> <li>• Upgrading the separator, measurement and dehydration units for Bilciurești groups;</li> <li>• Systematization and modernization of pipeline system and cooling system Butimanu Compressor Station;</li> <li>• Modernization of 19 injection/withdrawal wells;</li> <li>• Drilling 4 new wells;</li> <li>• 16" gas pipeline Bilciurești – Butimanu.</li> </ul>
<b>Estimated completion year</b>	2025
<b>Total estimated value</b>	271,15 million lei
<b>Studies and Works in 2021</b>	During 2021:

	<ul style="list-style-type: none"> <li>• the design phase for the 4 new wells was completed according to the study: “Analysis of possibilities to increase the daily natural gas extraction capacity in the Bilciurești UGS”.</li> <li>•Tender book for the execution of drilling works at locations L1 and L2 and the specifications for the acquisition of intellectual services for the elaboration of the “Business Plan and Cost-Benefit Analysis” corresponding to the project “Study on the analysis of possibilities to increase the daily capacity of natural gas extraction in the Bilciurești UGS”. The procurement procedure was launched</li> </ul>
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<b>No. and project name</b>	<b><u>2. Modernization of the gas storage facility - Urziceni</u></b>
<b>Purpose</b>	The project purpose to maintain the daily gas delivery capacity from Urziceni storage facility and ensure an increased degree of operational safety.
<b>Necessary investment works</b>	<ul style="list-style-type: none"> <li>• Modernization of 8 injection/extraction wells;</li> <li>• Drilling 2 new wells;</li> </ul>
<b>Estimated completion year</b>	2022
<b>Total estimated value</b>	23,95 million lei
<b>Studies and Works in 2021</b>	-

<b>No. and project name</b>	<b><u>3. Modernization of the gas storage facilities – Bălăceanca</u></b>
<b>Purpose</b>	The project purpose to maintain the daily gas delivery capacity of the Bălăceanca storage facility and to ensure a high level of level of safety in operation.
<b>Necessary investment works</b>	<ul style="list-style-type: none"> <li>• Modernization the heating installations, separation, measurement of Balanceanca groups;</li> <li>• Modernization of energy installations and automation at the Bălăceanca Compression Station;</li> <li>• Modernization of 9 injection/withdrawal wells;</li> <li>• Drilling 2 new wells;</li> </ul>
<b>Estimated completion year</b>	2022
<b>Total estimated value</b>	32,2 million lei
<b>Studies and Works in 2021</b>	In 2021

	<ul style="list-style-type: none"> <li>The feasibility study „Feasibility study regarding the underground storage of natural was finalized ”.</li> </ul>
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<b>No. and project name</b>	<b><u>4. Increasing the underground natural gas storage capacity at the Sărmășel storage facility (Transylvania)</u></b>
<b>Purpose</b>	The project aims to develop the existing underground storage facility in Sărmășel from a capacity of 900 million m <sup>3</sup> /cycle to 1550 million m <sup>3</sup> /cycle (an increase of 650 million m <sup>3</sup> /cycle), increasing the injection capacity by 4 million m <sup>3</sup> /day, to a total of 10 million m <sup>3</sup> /day, increasing the extraction capacity by 4 million m <sup>3</sup> /day, to a total of 12 million m <sup>3</sup> /day.
<b>Necessary investment works</b>	<ul style="list-style-type: none"> <li>Extension of compressor station;</li> <li>Expansion of drying and gas measurement installations;</li> <li>Injection/extraction wells technological installations;</li> <li>Modernization of 46 injection/extraction wells;</li> <li>Drilling 15 new wells;</li> <li>Inactive gas storage.</li> </ul>
<b>Estimated completion year</b>	2024
<b>Total estimated value</b>	756,350 million lei
<b>Studies and Works in 2021</b>	-

<b>No. and project name</b>	<b><u>5. Increase of underground storage capacity in Ghercești storage facility</u></b>
<b>Purpose</b>	The project aims to complete the infrastructure of the Ghercești gas storage system to ensure operating conditions at a capacity of 600 million m <sup>3</sup> / cycle.
<b>Necessary investment works</b>	<ul style="list-style-type: none"> <li>Compressor station;</li> <li>Expansion of dehydration units and measurement station;</li> <li>Modernization for 20 injection / withdrawal wells;</li> <li>Gas collector Ghercești UGS - SNT;</li> <li>Cushion gas.</li> </ul>
<b>Estimated completion year</b>	2025
<b>Total estimated value</b>	564,45 million lei
<b>Studies and works in 2021</b>	During 2021:

	the feasibility study regarding “The increase of underground gas storage capacity in the Ghercești UGS from 150 million cubic meters/cycle to 600 million cubic meters/cycle” was finalized
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<b>No. and project name</b>	<b><u>6. New underground gas storage facility in Moldova (Fălticeni)</u></b>
<b>Purpose</b>	The project purpose is to develop a new underground storage facility in N-E Romania (Moldova region) with a storage capacity of approximately 200 million m <sup>3</sup> /cycle, injection capacity of approximately 1.4 million m <sup>3</sup> /day, extraction capacity of approximately 2 million m <sup>3</sup> /day, by transforming into underground storage facility one or more depleted fields from the following: Pocoleni, Comănești, Todirești and Davideni.
<b>Necessary investment works</b>	<ul style="list-style-type: none"> <li>• Compressor station;</li> <li>• Gas drying and measuring installations;</li> <li>• Injection/extraction wells technological installations;</li> <li>• Drilling injection/extraction wells;</li> <li>• Storage facility gas collector - SNT;</li> <li>• Gas cushion.</li> </ul>
<b>Estimated completion year</b>	2025
<b>Total estimated value</b>	405,7 million lei
<b>Project development stage in 2021</b>	-

The development projects of the natural gas storage system are also included in the **Development Plan of the National Natural Gas Transmission System for the period 2019-2028**, approved by ANRE by Decision no. 2080 from 11.12.2019.

## 2.2. Key performance indicators

Key performance indicators (KPIs) financial and non-financial for the variable component of the remuneration are defined within Chapter II of the *Key performance indicators both financial and non-financial and the variable component of remuneration methodology* – from EO no. 722/2016 for Methodology norms approval for the application of EO no. 109/2011 regarding corporate governance for state-owned companies, with the subsequent addendums and completions.

- **Key performance indicators for the annual variable component of the executive administrator remuneration – General Manager, period 2018-2022**, were approved through Sole Shareholder Decision no. 4/05.02.2019 regarding the approval of indicators – financial and non-financial key performance indicators for non-executive and executive administrators – General Manager and Sole Shareholder Decision no. 5/19.05.2021 regarding the partial amendment of art. 3.5, chapter 3 “Object of the mandate” from the mandate

contracts of the non-executive directors of DEPOGAZ, respectively of the target values for 2020 for the key performance indicators for calculating the annual variable component of the remuneration of non-executive and executive directors - General Manager.

### 2.2.1. Target values

- Target values of the Key performance indicators for the annual variable component of the executive administrator remuneration – General Manager – Annex to mandate Contract

#### a. Target values

No.	Key performance indicators (KPIs)	2021
	<b>Financial KPIs</b>	
1	EBITDA [%]	13
2	Turnover (T) [thousand lei]	321.703
3	Bad debts. [thousand lei]	0
4	<b>Outstanding debts (thousand lei)</b>	1.300
	<b>Operational KPI</b>	
5	Reserved capacity [%]	80
6	<b>Achievement of investment program [%]</b>	75
	<b>Public services oriented KPIs</b>	
7	Customer satisfaction level [%]	90-95
	<b>Corporate governance KPIs</b>	
8	Monitoring the implementation stage for the IMCS. [%]	90

#### b. The key performance indicators weighting coefficient

No.	Key performance indicators (KPI)	Objective	Weight KPI
	<b>Financial KPIs</b>		<b>45%</b>
1	EBITDA [%]	20	10%
2	Turnover (T) [thousand lei]	Reaching the target set through the Administration Plan	15%

3	Bad depts. [thousand lei]	Maintaining the level to 0	10%
4	<b>Outstandings debts level (mii lei)</b>	Maintaining the level approved through budget	10%
	<b>Operational KPIs</b>		<b>25%</b>
4	Reserved capacity [%]	Reaching declared operational capacity	15%
5	<b>Achievement of investment program [%]</b>	Trimestral and annual reporting of degree of achievement of investment plan	10%
	<b>Public services oriented KPIs</b>		<b>10%</b>
6	Customer satisfaction level [%]	90-95	10%
	<b>Corporate governance KPIs</b>		<b>20%</b>
7	Monitoring the implementation stage for the IMCS. [%]	Over ≥90 percent completion of the development program of the S.C.I.M.	20%

#### 2.1.1. Key performance indicators achievement rate - General Manager

No.	Key performance indicators (KPIs)	Achieved Value 31.12.2020	Targeted Value 2020	Achievement Rate	KPI Weight	Weight %
1	<b>EBITDA [%]</b>	<b>14,71</b>	<b>13</b>	<b>113,14</b>	<b>10%</b>	<b>11,31</b>
2	Turnover (T) [thousand lei]	313.456	321.703	97,44	15%	14,62
3	Bad depts [thousand lei]	0	0	100,00	10%	10,00
4	Outstanding debts level (thousand lei)	18	1.300	100,00	10%	10,00
5	Reserved capacity (%)	79,27	80	99,08	15%	14,86
6	Monitoring the investment schedule stage [%]	83,31	75	111,08	10%	11,11
7	Customer satisfaction level [%]	99,68	90-95	104,93	10%	10,49
8	Monitoring the implementation stage for the IMCS. [%]	90,00	90,00	100,00	20%	20,00
						<b>102,39</b>

The key performance indicators values for 2021:

- The net revenue for 2021 was 313.456 thousand lei;
- DEPOGAZ did not incur bad depts in 2021.
- EBITDA = Total operational revenue – (Total operational expenses - Depreciation) =  
= 313.773 – (276.047 – 8.425) = 46.151 thousand lei
- EBITDA (%) = (EBITDA/ Total operational revenue) × 100 =  
= (46.151/313.773) × 100 = 14,71%

\* for EBITDA calculation, values from the F20" The Profit or Loss Account" and F30" Informative data" were used

Turnover	313,456
Operational revenue	313,773
Operational expenses	276,047
Depreciation	8,425
EBITDA %	14.71

**a. The financial standing at the end of the period – Balance sheet**

The table below shows the financial standing as of 31st December 2021.

(Ron)

Indicator	31.12.2020	31.12.2021
<b>ASSETS</b>		
<i>Fixed assets</i>		
Property, plant and equipment	96.059.509	117.292.600
Other intangible assets	649.516	870.223
Other fixed assets	16.069	34.527
<b>Total fixed assets</b>	<b>96.725.094</b>	<b>118.197.350</b>
<i>Current assets</i>		
Inventory	14.618.532	12.276.316
Trade receivable and other receivables	43.320.210	39.032.877
Cash and cash equivalents	44.071.302	33.325.365
<b>Total current assets</b>	<b>102.010.044</b>	<b>84.634.558</b>
Prepayments	89.781	238.227
<b>TOTAL ASSETS</b>	<b>198.824.919</b>	<b>203.070.135</b>
<b>OWNER'S CAPITAL AND LIABILITIES</b>		
<i>Retained earnings</i>		
Paid-in capital	66.056.160	66.056.160
Reserves	31.767.685	78.800.419
Financial result (loss)	(274.113)	(274.113)
<b>Profit/Loss financial period</b>	<b>59.107.140</b>	<b>35.914.546</b>
	<b>150.589.118</b>	<b>158.439.086</b>
<i>Current liabilities</i>		
Accounts payable	7.904.110	6.325.532
Debts to companies within the group	13.432.164	11.130.540
Other liabilities	12.964.906	11.276.466

<b>Total current liabilities</b>	<b>34.301.180</b>	<b>28.732.538</b>
<b>Accruals and bad debt provisions</b>		
<b>Accrual for employees' benefits and other accruals</b>	<b>13.925.519</b>	<b>15.897.144</b>
<b>Unearned revenue</b>	<b>9.102</b>	<b>1.367</b>
<b>Long-term liabilities</b>		
<b>Accounts payable</b>	<b>0</b>	<b>0</b>
<b>Current profit tax accrual</b>	<b>0</b>	<b>0</b>
<b>Other liabilities</b>	<b>0</b>	<b>0</b>
<b>Total long-term liabilities</b>	<b>0</b>	<b>0</b>
<b>TOTAL liabilities &amp; owner's equity</b>	<b>198.824.919</b>	<b>203.070.135</b>

Out of the total assets of 203.070.135 Ron, fixed assets amount to **118.197.350** Ron, representing 58,21 and current assets in amount of **84.634.558** Ron, and representing 41,68%

The capital of the company is entirely paid-in at 31st December 2021.

At the company's incorporation date (2015), it had a paid-in capital in cash of 1.200.000 lei. In April 2018, when the company started its activity, the capital was increased by 48.800.000 lei in cash, and in November 2018 it was increased again by 16.056.160 lei in materials and stocks.

Accounts receivable and other receivables are detailed below:

**Liquidity term**

<b>Receivables (Ron)</b>	<b>Balance as of 31st Dec 2021</b>	<b>Under 1 year</b>	<b>Over 1 year</b>
<b>Accounts receivable</b>	28.971.673	28.971.673	
<b>Amounts receivable from affiliated companies</b>	5.663.193	5.663.193	
<b>Other receivables</b>	4.398.011	4.398.011	
<b>TOTAL</b>	<b>39.032.877</b>	<b>39.032.877</b>	

Accounts receivable are not interest carriers and generally have a 30-day due date.

The amounts included in "other receivables" mainly contain: medical leaves to be recuperated from FNUAS, prepaid vacation bonuses granted in December 2021 for January 2022, VAT under settlement related to invoices issued in January 2022 for services rendered in December 2021.

**Cash and cash equivalent are represented by:**

<b>Cash and cash equivalent (Ron)</b>	<b>Balance as of 31st December 2021</b>
<b>Bank accounts in lei</b>	67.801
<b>Bank accounts in foreign currency</b>	0



Petty cash lei	613
Petty cash foreign currencies	1.983
Other amounts (bank deposits)	33.254.968
<b>Total</b>	<b>33.325.365</b>

**The liabilities in the balance sheet are the following:**

Liabilities (Ron)	Balance at 31 <sup>st</sup> December 2021	under 1 year	over 1 year
Supplier invoices not yet received	2.545.463	2.545.463	
Supplier	3.780.069	3.780.069	
Payables to employees	3.823.736	3.823.736	
Taxes for employees' salaries	2.804.237	2.804.237	
Profit tax	-	-	
taxes -VAT	1.999.120	1.999.120	
Amounts payable to affiliated companies	11.130.540	11.130.540	
Royalty and environmental tax	2.426.190	2.426.190	
Other liabilities	223.183	223.183	
<b>Total</b>	<b>28.732.538</b>	<b>28.732.538</b>	

**a. The statement of comprehensive income - PROFIT AND LOSS ACCOUNT**

**Profit or loss account synthesis (Ron):**

Indicator	2020	2021
<b>Total revenue from operations</b>	<b>334.010.817</b>	<b>313.772.552</b>
<i>Raw materials, materials and electric energy expenses</i>	43.901.573	54.224.840
<i>Salaries</i>	67.874.705	68.608.517
<i>Revaluation of fixed and intangible assets</i>	5.725.648	8.424.518
<i>Revaluation of current assets</i>	939.536	1.713.566
<i>Other operational expenses (external services rendered)</i>	146.885.472	141.104.186
<i>Provisions and accruals</i>	1.037.104	1.971.625
<b>Total operational expenses</b>	<b>266.364.038</b>	<b>276.047.252</b>
<b>Profit or loss from operations</b>	<b>67.646.779</b>	<b>37.725.300</b>
<i>Financial – interest revenue</i>	1.018.428	534.008
<i>Financial expenses - exchange rate loss/gain</i>	1.614	1.214
<b>Financial Profit</b>	<b>1.016.814</b>	<b>532.794</b>
<b>Total revenue</b>	<b>335.029.245</b>	<b>314.306.560</b>

<b>Total expenses</b>	<b>266.365.652</b>	<b>276.048.466</b>
<b>Accounting profit /loss</b>	<b>68.663.593</b>	<b>38.258.094</b>
<b>Profit tax</b>	<b>9.556.453</b>	<b>2.343.548</b>
<b>Net profit/ Loss</b>	<b>59.107.140</b>	<b>35.914.546</b>

99,90% meaning 313.455.556 ron of the total of 313.772.552 ron operational revenue in 2021 come from gas storage services rendered.

Of the total of 276.047.252 ron operational expenses, the most significant are:

- Raw materials and materials expenses in total value of 21.066.142 ron of which, technological expenditures, including fuels: 16.260.338 ron;
- Electric energy: 32.544.344 ron;
- Personnel expenses, including taxes: 68.608.517 ron;
- Third party services rendered expenses: 138.765.822 ron;
- Tax expenses: 11.739.367 ron;

Out of the total provisions and accruals expensed and reversed in 2021 the most significant values are: 2.900.000 ron representing personnel bonus accrual, 1.299.372 ron provision for variable component of the Board of Administration and General Director compensation, 3.501.422 ron work contract expiry provisions și 1.713.566 ron stock provision.

Financial income consists of interest incomes from deposits in the amount of 534.008 ron.

<b>Cash and cash equivalent at the end of the financial period</b>	<b>33.325.365</b>
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### 2.3. Economic and financial indicators

We present below the main economic and financial indicators of the company for 2021:

	<b>2021</b>
<b>1. Indicators of liquidity</b>	
<b>Current ratio</b>	2.95
<b>Immediate ratio</b>	2.52
<b>2. Risk indicators</b>	
<b>Indicator if indebtedness</b>	14.15
<b>3. Activity indicators</b>	
<b>Clients 'debts rotation speed (number of times)</b>	10.04
<b>The rotation speed of the total assets</b>	1.54
<b>4. Profitability indicators</b>	
<b>Gross margin on sales</b>	12.21

Economic rentability	17.69
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## Taxation

The company is registered with the National Agency for Fiscal Administration – Bucharest in large taxpayer's category.

The company is a tax payer. The tax calculated for 2021 was 2.343.548 Ron.

- Operational KPI**

**a. Injected / withdrawn quantities of gas**

Throughout 2021, 2.109.243,395 thousand cm of natural gas (22.540.006,140 MWh) were withdrawn from UGS, less by 7% than the quantity of gas estimated to be withdrawn.

Throughout 2021, 1.821.934,247 thousand cm of natural gas (19.470.416,070 MWh) were injected into UGS, more by 0,8% than estimated quantity of gas to be injected.

UGS	Withdrawal Year 2021		Injection Year 202	
	[mc]	[MWh]	[mc]	[MWh]
<b>Bilciurești</b>	1.030.982.099	11.049.036,003	983.470.983	10.553.292,388
<b>Urziceni</b>	321.300.190	3.475.690,143	320.395.478	3.444.292,124
<b>Bălăceanca</b>	55.362.416	600.800,048	32.640,574	353.960,706
<b>Ghercești</b>	136.124.907	1.448.459,306	69.791.399	744.857,545
<b>Sărmășel</b>	565.473.783	5.966.020,640	415.635.813	4.374.013,305
<b>TOTAL</b>	<b>2.109.243.395</b>	<b>22.540.006,140</b>	<b>1.821.934.247</b>	<b>19.470.416,070</b>

Throughout 2021, the total quantity for technological consumption was 12.525,868 thousand mc (133.620,688 MWh), a decrease of approximately 27,6% compared to the estimated quantity, justified by the fact that not all the estimated amount of natural gas was withdrawn, and during the withdrawal cycle, at Sărmășel UGS, a larger quantity of energy was extracted using own energy, without compressor station, due to high pressure in the UGS compared to NTS pressure.

The expenses recorded for natural gas used in technological purposes is as follows:

Year	Gas fuel consumption		Gas fuel value (excl. VAT)	Motor gas excise duty value (excl. VAT)	Heating gas excise duty value (excl. VAT)	TOTAL (excl. VAT)
	thousand mc	MWh	lei	lei	lei	lei
<b>2021</b>	<b>12.525,868</b>	<b>133.620,688</b>	<b>9.320.042,99</b>	<b>6.150.164,68</b>	<b>36.478,77</b>	<b>15.506.686,44</b>

The budget allocated for 2021 for the purchase of natural gas to cover technological consumption has not been exceeded.

### **Monitoring the progress of investments**

For the year 2021, DEPOGAZ had an approved investment program amounting to 50.000 thousand lei.

The financing of the investments was made exclusively from the own sources of the Subsidiary. Throughout 2021, DEPOGAZ made investments amounting to 41.665,26 thousand lei, representing achievement of 83.31% of the planned investment, as follows:

- Thousand lei -

No.	Name of investment	Planned for 2021	Achieved in 2021
1.	Research activities for the discovery of new natural gas reserves	0	0
2.	UGS production and operation of infrastructure and facilities in gas fields and in UGS	1.531	690
3.	Activities for underground storage of natural gas	500	260
4.	Improving and protecting the environment	0	0
5.	Modernization and upgrading of facilities, equipment and surface infrastructure	43.823	38.554,38
6.	Independent equipment and machinery	1.069	734,44
7.	Consulting, studies and projects, software, licenses and patents, etc.	3.077	1.416,44
	<b>TOTAL GENERAL</b>	<b>50.000,00</b>	<b>41.665,26</b>

Expenses related to investment program in 2021:

- Technical project for drilling wells at Bilciurești UGS – 640,00 thousand lei
- Surveillance and security system for Gas compressor unit at Sărmășel UGS – 50,00 thousand lei
- Compensation and land acquisitions (for wells within Bilciurești UGS and Sărmășel UGS) – 260,00 thousand lei
- Wells upgrade Sarmasel UGS – 436,85 thousand lei
- Upgrade of fiscal metering unit within Bilciurești UGS – 1.565,14 thousand lei
- Underpass for ring road at Bălăceanca UGS – 52,39 thousand lei
- Modernisation of PSI System - Module M3 S.C. Butimanu – 227,80 thousand lei
- Modernisation of exterior lighting system within Central storage Finta – 39,70 thousand lei
- Feasibility study for Bălăceanca UGS – 275,98 thousand lei

- Feasibility study for Ghercești UGS – 521,92 thousand lei
- Business plan for Increase of storage capacity at Sărmășel UGS – 130,00 thousand lei
- Software for drawing up estimates (DOCLIB) – 7,00 thousand lei
- Gas dehydrating plant with triethylene glycol Grup 145 Ghercești – 34.969,09 thousand lei
- Automation of the unloading of SC Butimanu oil separators – 600,17 thousand lei
- Modernization at SC Butimanu electric motor control system – 38,87 thousand lei
- Modernization of monitoring and control system Dep. Bălăceanca – 25,80 thousand lei
- Modernization of monitoring and control system Grup 102 Bilciurești – 25,05 thousand lei
- Systematization of discharge manifolds at SC Butimanu and coupling in transmission collectors - 68.27 thousand lei, representing construction permit issuance fees and associated permits
- Compressor suction adjustment loop in the extraction cycle Buclă reglare aspirație compresoare în ciclul de extracție SC Sărmășel – 505,24 thousand lei
- Purchase of forklift – 118,25 thousand lei
- Purchase of off-road car – 84,00 thousand lei
- Purchase of portable PC – 128,95 thousand lei
- Acquisition of Dell Unity shock solution upgrade – 124,88 thousand lei
- Acquisition of routers DEPOGAZ headquarters – 49,30 thousand lei
- Acquisition of a teleconferencing system DEPOGAZ Headquarters – 56,20 thousand lei
- Purchase non interruptible UPS – 57,71 thousand lei
- Purchase of audio repeater – 7,07 thousand lei
- Acquisition of GPS system consisting of receiver and control unit – 100,08 thousand lei
- Acquisition software – 35,91 thousand lei
- Acquisition virtualization software – 123,58 thousand lei
- Acquisition OFM licence – 92,64 thousand lei
- Acquisition Microsoft licenses– 229,42 thousand lei
- Acquisition pyrometer – 8,00 thousand lei

The implementation stage for the development projects of the natural gas storage system proposed and included in the INVESTMENT PLAN of the natural gas storage system 2019-2023 is:

#### **1. Upgrade of the natural gas storage infrastructure– Bilciurești**

During 2021, the design phase for the 4 new wells was completed according to the study: "Analysis of the possibilities to increase the daily natural gas withdrawal capacity in the Bilciurești UGS". Tender books for the execution of drilling works at locations L1 and L2 and for the acquisition of intellectual services for the execution of "Business Plan and Cost-Benefit Analysis" corresponding to the project "Study on the analysis of the possibilities of increasing the daily extraction capacity of natural gas in the Bilciurești UGS" and launched the procurement procedures for these.

## **2. Increase of underground storage capacity of natural gas in Ghercești UGS**

The feasibility study regarding “Increase of the underground gas storage capacity at Ghercești UGS from 150 million cubic meters / cycle to 600 million cubic meters / cycle” was finalized.

## **3. Feasibility study regarding the underground storage of natural gas in Balaceanca UGS**

The „Feasibility study regarding the underground storage of natural gas in Balaceanca UGS” was finalized.

The development projects of the natural gas storage system are also included in the Development Plan of the National Transmission System for the period 2019-2028, approved by ANRE by Decision no. 2080 of 11.12.2019

### **• KPI public oriented services: Customer satisfaction**

Between 01.01 – 31.03.2021, the Commercial Department has managed all commercial activities regarding the storage cycle 2020 – 2021, for the 51 beneficiaries of the gas storage services provided by Depogaz.

Starting with 01.04.2021, the Commercial Department has managed all commercial activities regarding the storage cycle 2021 - 2022, for the 42 beneficiaries of the gas storage services provided by Depogaz. 57 storage contracts and 118 additional acts to the contracts were signed.

Operational procedure “CUSTOMER SATISFACTION EVALUATION “applies to Commercial Dept.

The procedure establishes the way information is collected regarding the customer’s perception of the satisfaction of his requirements.

The assessment of customer satisfaction consists of three main steps:

- Data collection regarding customer satisfaction and customer perception regarding the company’s performance.
- For this purpose, a questionnaire is sent to the clients on an annual basis,” Questionnaire to assess the degree of customer satisfaction “.
- Evaluation of customer answers and interpretation of results, by the end of the first quarter, using the “Customer satisfaction assessment sheet”

On 08.12.2021 a “Questionnaire to assess the degree of customer satisfaction” was sent to storage service beneficiaries.

Following the questioner results and making the “customer satisfaction assessment sheet”, we observed an overall satisfaction index of 99.68 %.

The specific objective in 2021 of the Commercial Dept. was "Increasing customer satisfaction". The performance indicator, Global satisfaction indicator /year for 2021 had a target value of 95%.

- **KPI – corporate governance: Monitoring the implementation stage of the Internal Managerial Control System**

The internal managerial control system developed and implemented within the Company as part of the management process, targets all organizational units' activities, at all management level and is intended to help reach the proposed objectives while identifying and managing their associated risks.

The internal management control system operates with a variety of procedures, means, actions, provisions, which concern aspects related to the activities of the Company, and which are implemented by the management to allow it to have a good control over the Activity of the company as a whole, as well as over each particular activity.

The internal managerial control tools can be classified into six main groups: objectives, means, information system, organization, procedures, control.

Internal control is a process carried out by staff at all levels, namely the Board of Directors, top management, executive management, all personnel. Each member of DEPOGAZ is responsible for his internal control.

The internal control must be perceived as part of the management functions and it is the responsibility of the managers and of each individual employee, to ensure the functioning of the internal management control system, so as to respect the general framework established by the legal provisions in force.

The implementation, development, maintenance and evaluation of the internal managerial control system at company level is carried out in compliance with the requirements of the Order of the Government Secretariat no. 600/2018 for the approval of the Code of internal managerial control of public entities.

The internal managerial control system at DEPOGAZ level includes self-control mechanisms, while the application of measures to increase its efficiency is based on risk assessment.

At the beginning of 2021, the General Manager approved the Report on the Annual Program for the development of the internal managerial control system within DEPOGAZ - year 2020, a report elaborated, analyzed and endorsed by the Monitoring Commission.

Also, the General Manager has approved the Annual Program for the development of the internal managerial control system within DEPOGAZ for 2021, elaborated, analyzed and reviewed by the Monitoring Commission. The development program was posted on the INFOWEB Portal and brought to the attention of all DEPOGAZ employees

Considering the organizational changes within the Company, and in order to fulfill the objectives included in PDSCIM through the actions undertaken, during 2021, the following were achieved:

- The members of the commission have analyzed and approved during the meetings of the Monitoring and Coordination Commission for the Implementation and Development of the Internal Managerial Control System within DEPOGAZ, hereinafter referred to as the Monitoring Commission, documented procedures and instructions developed / revised, which were subsequently approved by the General Manager - Chair of the Monitoring Committee.
- Through a Decision of the General Manager's, the component of the Monitoring and Coordination Commission for the Implementation and Development of the Internal Management Control System within DEPOGAZ and of the Monitoring Subcommittee for establishing the requirements for environmental protection, health, safety and energy management in the documented procedures and instructions of Integrated Management System were supplemented.

- The General Manager decided to upgrade the Decision regarding the Commission for the implementation of the National Anticorruption Strategy for the period 2016-2020 at DEPOGAZ level and for establishing the necessary measures in order to implement the provisions of H.G. no. 583/2016.
- The General Manager decided to upgrade the Decision regarding appointing those responsible for determining and managing risks at the level of each organizational unit in DEPOGAZ.
- The Regulation of Organization and Functioning of DEPOGAZ was approved in the meeting of the Board of Administration by Decision no. 5 of 12.06.2018 and amended by Decision no. 5 / 22.04.2021, no. registration 4232 / 20.04.2021.
- The declarations of assets and interests were submitted by 15.06.2021, by all employees who have this obligation, through the care of the person responsible from the Human Resources, Payroll Department.
- In June 2021, the "List of documented procedures and instructions developed and approved correlated with the inventory of procedural activities, as well as newly identified activities to be performed in 2021 at SNGN ROMGAZ SA - Natural Gas Storage Subsidiary DEPOGAZ Ploiești SRL" was elaborated and approved. According to the Order of the Government Secretariat no. 600 of 20.04.2018 on the approval of the Code of internal managerial control for public entities - Standard 9 - Procedures.
- The significant activities carried out within the Subsidiary and proposed to be included in procedures in 2021 have been described in 100% documented procedures / instructions.
- According to provisions of the operational procedure 01PO-04: The Professional Performance Management System, at company level, in 2021, the annual / intermediate evaluation process of the employees took place.
- Professional training was organized with external lecturers for employees responsible for the correct implementation of the standards provided in OSG 600/2018, which led to a better awareness of the importance of internal managerial control.
- In September 2021, the General Manager decided to carry out the action of inventory, centralization and management of sensitive functions at company level, according to the provisions of the PS-16 system procedure: Inventory of sensitive functions.
- Thus, the action of inventory, centralization and management of sensitive functions was performed, according to the PS-16 system procedure: Inventory of sensitive functions, ed. 2, rev. 0 / 09.10.2020.  
Through the Decision of the General Manager, the action of inventory, centralization and management of sensitive functions, was carried out in 43 organizational units, which took into account the functional responsibilities of staff, which usually involve one or more risk factors. Following the action, "Information on the inventory of sensitive functions and / or especially exposed to corruption and the risks associated with them at the level of SNGN ROMGAZ SA-Natural Gas Storage Subsidiary DEPOGAZ Ploiești SRL" was elaborated and approved.
- The risk management process is organized and monitored.
- Risk management is a key component of decision making and prioritizing actions.
- The performance monitoring system was created and has evaluated the Company's objectives and activities through performance indicators.
- The hypotheses / premises considered to be the basis for setting the objectives for 2021 were analyzed, as well as the emergence of new risks to the objectives identified by the heads of the organizational units within DEPOGAZ.



- The assumptions / premises underlying the setting of objectives, the identified objectives and the risks associated with them are evaluated periodically.
- The risk management process leads to the improvement of the Subsidiary's performance by identifying, analyzing, evaluating and managing the risks that may occur at its level in order to minimize the consequences of risks.
- According to the provisions of the specific system procedures in force, each organizational unit presents the stage of fulfilling the identified objectives, half-yearly and annually, as well as the Report on the development of the risk management process at the objectives.
- The Monitoring Committee reviewed these documents on the stage of achievement of the objectives and the reports on the progress of the risk management process on the objectives. The analysis showed that the risks to the objectives identified by the organizational units within the Subsidiary are closely related to the activities within the specific objectives, the achievement of which could be affected by the materialization of the risks.
- At Subsidiary level, both general and specific objectives were identified, as well as risks related to the identified objectives.
- The General Director approves the risk Register at DEPOGAZ level, updated annually or whenever required
- The General Manager approves the Centralizer with the proposed objectives at the DEPOGAZ level updated annually, and whenever necessary.
- Considering the obligation to report to SNGN Romgaz SA Mediaș the stage of implementation and development of the internal managerial control system at the level of SNGN Romgaz SA - Underground Storage of Natural Gas Subsidiary Depogaz Ploiești SRL for 2021, the members of the Monitoring Commission have conducted a self-assessment process for the internal managerial control system action for each organizational unit within DEPOGAZ, between 12 - 25.01.2022.

The documents on which the implementation stage report was based, according Order no. 600/2018 from 31.12.2021 of the Government Secretariat, are the following:

- Self-evaluation questionnaire for the implementation stage of the managerial internal control standards / 2021 – Annex 4.1 OSG 600/2018 to which every organizational unit leader has committed according to the Company's organizational chart, regarding information accuracy and recordings inscribed based on the managerial responsibility principle;
- The summary report of the implementation stage and the managerial internal control system development from 31<sup>st</sup> of December 2021 - Annex 3 OSG nr. 600/2018), created by the technical Secretary of the monitoring Commission and approved by the monitoring Commission President;
- The synthetic analysis of the self-evaluation results (Annex 4.2 – SG Order no. 600/2018), created by the technical Secretary of the Monitoring Commission and approved by the monitoring Commission President.

Based on the documents above, at DEPOGAZ level, the Report on internal managerial control system at 31 Dec 2021 was elaborated and approved, according to Annex 4.3 – SG Order no. 600/2018.

The report gives a clear image of the implementation and development stages of the internal control system of the Company. Based on the self-assessment results dated 31<sup>st</sup> of December 2021, the managerial internal control system of DEPOGAZ complies with the managerial internal control Code standards.

### **The National Anticorruption Strategy**

**The purpose of the National Anticorruption Strategy for the period 2016-2020** is to promote integrity, through the rigorous application of the normative and institutional framework.

The objectives are subsumed to decision-making transparency and open governance, respectively to the approach of strategic intervention in the field of anti-corruption in three directions: prevention, education, combating.

DEPOGAZ has the obligation to implement the Integrity Plan, approved in September 2019, provided as a requirement of Decision no. 583/2016 on the approval of the National Anti-Corruption Strategy for 2016-2020, the sets of performance indicators, the risks associated with the objectives and the measures and verification sources included in the strategy, the inventory of institutional transparency and corruption prevention measures, the indicators of evaluation, as well as the standards for publishing information of public interest.

The integrity plan of DEPOGAZ is annexed to Decision no. 232 / 30.09.2019.

The objectives assumed by the Subsidiary for the implementation of the Integrity Plan are:

- developing a culture of transparency for open decision-making governance;
- increasing the institutional integrity by including measures to prevent corruption as mandatory elements of management plans and their periodic evaluation as an integral part of administrative performance;
- strengthening integrity, reducing vulnerabilities and risks of corruption within DEPOGAZ;
- increasing the degree of knowledge and information of integrity standards by employees;
- strengthening the performance of anti-corruption through criminal and administrative means;
- increasing the degree of implementation of anti-fraud and anti-corruption measures by approving the integrity plan and periodic self-assessment at DEPOGAZ level.

The monitoring of the implementation of the provisions of the National Anticorruption Strategy at Subsidiary level is carried out by the Commission responsible for the implementation of the SNA provisions and for the monitoring of its implementation. The Secretariat of the Commission is provided by the Internal Control unit, thus ensuring the correlation and unitary treatment of the measures specific to Standard 1. Ethics and integrity according to SGO 600/2018, with the specific measures of SNA.

Taking into account the fact that the National Anticorruption Strategy 2021-2025 and its related documents were approved by Decision no. 1269/2021, published in the Official Gazette of Romania, Part I, no. 1218 of 22.12.2021, the objectives, performance indicators, associated risks, verification sources, deadlines, responsibilities and necessary resources assumed, as well as the measures aimed at preventing corruption, promoting organizational integrity and anti-corruption education were considered throughout 2021, the Commission for the implementation of the SNA thus achieving the following:

- The document << Report – year 2020 on the „Integrity plan of SNGN ROMGAZ SA – Underground Storage of Natural Gas Subsidiary Depogaz Ploiesti” >> was elaborated, analyzed, reviewed and approved – Annex for Decision no 232/30.09.2019.
- Starting with 08.02.2021, the Commission for the implementation of the National Anticorruption Strategy participated in the Internal Audit Mission “Evaluation of the Corruption Prevention System - 2021” performed by the Public Internal Audit Bureau for the period 01.04.2018 - 31.12.2020. The Commission for the implementation of the National Anticorruption Strategy, through the Secretary, provided the internal public auditor with the requested documents, in compliance with the deadlines established by him. The internal audit mission was carried out between 08.02.2021 - 08.04.2021 in accordance with the 2021 Annual Audit Plan.

- Following the presentation of the Internal Audit Report no. 4289 / 21.04.2021 of the mission with the theme: "Evaluation of the corruption prevention system - year 2021", the members of the commission decided to maintain the degree of implementation of the preventive measures included in Annex no. 3 a H.G. no. 583/2016 (Conflicts of interest, Incompatibilities and Pantouflage - interdictions after termination of employment in public institutions) by complying with the internal regulations DEPOGAZ and the legislation in force.
- The Draft Decision regarding the Commission for the implementation of the National Anticorruption Strategy for the period 2016-2020 at DEPOGAZ level and for establishing the necessary measures for the implementation of the provisions of H.G. no. 583/2016 was prepared. Following the confirmation from the General Manager regarding the opportunity to issue the decision and the receipt of the legality notice from the Legal Service, the Decision was submitted for the approval of the General Manager.
- The PS-17 system procedure was analyzed: Methodology for identifying risks and vulnerabilities to corruption, ed. 2, rev. 0 / 13.11.2020, in order to revise it.
- The Evaluation Questionnaire on "Integrity, Corruption and Fraud" was developed to train executives, heads of organizational units, and their replacements. The training was carried out by the secretary of the SNA commission between 13.05 - 11.06.2021, resulting in a training report.
- It was decided to carry out the action of identification, analysis and risk management regarding the possibility of corruption in the organizational units within DEPOGAZ between 02.06 - 25.06.2021, in compliance with the provisions of the PS-17 system procedure: Methodology for identifying risks and vulnerabilities to corruption, ed. 2, rev. 0 / 13.11.2020. The identification and description of the risks consisted in highlighting the threats of corruption, as well as the vulnerabilities present in the current activities of the Company that could lead to the commission of acts of corruption.
- The "Report on the identification of risks and vulnerabilities to corruption at the level of SNGN ROMGAZ SA – Underground Storage of Natural Gas Subsidiary DEPOGAZ Ploiești SRL" was analyzed, reviewed and approved.
- The stage of fulfilling the objectives stated in the DEPOGAZ Integrity Plan Annex to Decision no. 232 / 30.09.2019 was analyzed for the quarterly and semestrial reporting of 2021.
- The Integrity Plan of DEPOGAZ approved by the Decision of the General Manager no. 232 / 30.09.2019, was analyzed in order to be updated.
- It was decided that the Integrity Plan of DEPOGAZ should be updated according to the legislative changes, respectively after the approval of the National Anticorruption Strategy 2021-2025, if necessary.
- Between 01.10 - 29.11.2021, the action of consulting the employees regarding the present Code of Conduct was carried out, a document approved in the meeting of the Board of Administration of DEPOGAZ approved by Decision no. 5 of 12.06.2018 and revised by Decision no. 8 dated 29.05.2019.  
The action consisted in the elaboration of a short presentation of the provisions of the Code of Conduct by the Ethics Adviser, presentation that was sent by e-mail to all personnel of the Subsidiary. In order to consult the employees regarding the updating / revision of the Code of Conduct, the Ethics Adviser elaborated and submitted for completion a QUESTIONNAIRE regarding the evaluation of the degree of knowledge by employees of the provisions of the Code of Conduct of DEPOGAZ, the questionnaire being non-mandatory.
- The answers of the employees to the Questionnaire regarding the evaluation of the degree of knowledge by the employees of the provisions of the DEPOGAZ Code of Conduct, sent by the Ethics Adviser for completion, were analyzed. Thus, following the analysis, the Commission for the implementation of the National Anticorruption Strategy concluded the following:

- at subsidiary level, the staff knows and upholds the ethical values, respects and applies the regulations regarding ethics, integrity, avoidance of conflicts of interest, prevention and reporting of frauds, acts of corruption and reporting of irregularities;
- the employees do not consider it appropriate to revise / update the Code of Conduct at this time, therefore the members of the Commission have decided to maintain this Code of Conduct until proposals for amendments and / or additions are made.

Even though the National Anticorruption Strategy was approved in December 2021, throughout the year 2021 at the company level, the regulations on ethics, integrity, avoidance of conflicts of interest, prevention and reporting of fraud, acts of corruption and reporting irregularities were applied, Depogaz personnel being aware and upholding ethical and integrity values.

## Ethics

DEPOGAZ's Code of Conduct serves as a guide in day-to-day relationships and, at the same time, reflects both the company's values and principles and its expectations regarding the conduct of those conducting business in accordance with the highest ethical standards.

The code of conduct is binding and applies directly to all persons working for DEPOGAZ: employees, directors with a mandate contract and members of the Board of Administration.

The main objectives of the Code of Conduct are to regulate the norms of professional conduct that is needed in order to create and maintain of the high prestige of the Subsidiary, and also to create a climate of trust and respect between its employees, business partners, community, etc.

Throughout 2021, the norms of conduct set out in the Code have been complied with, as evidenced by the fact that there has been only one single notification the breach of conduct, of the Internal Regulation, of the Collective Labor Agreement or of other internal regulations.

<b>1</b>	<b>Number of registered complaints regarding the violation of the norms of conduct (code of conduct, Internal Regulations, CLC, other internal regulations)</b>	<b>1</b>	<b>-</b>	
<b>2</b>	Number of complaints in process to be resolved	-	-	
<b>3</b>	Number of complaints resolved	1	-	
<b>4</b>	The number of complaints confirming violations of the norms of conduct	1		
<b>5</b>	Number / category of employees who have violated the rules of conduct (Confirmed through decisions)	Management personnel	-	-
		Staff with no management position	1	-
<b>6</b>	Measures taken	Written warning	-	-
		Demotion	-	-
		Salary reduction and/or management increase reduction	-	-
		Disciplinary termination of the individual employment contract	-	-
		Other measures	-	-
<b>7</b>	Number of decisions annulled or modified by court, management of the company	-	-	

### **Financial management control activity**

The Financial Management Control (CFG) exercised within DEPOGAZ, aims at managing its own assets in accordance with the provisions of H.G. no. 1151/2012 for the approval of the Methodological Norms regarding the organization and exercise of the financial management control and of the approved Annual Program

During 2021, a number of five control missions were carried out, one of which was preventive, specifically the verification of compliance with legal and internal provisions in substantiating the Revenue and Expenditure Budget for 2021 and four post-operational control actions, which consisted of in the verification of some economic-financial operations carried out during the financial year 2020.

According to the operational procedure, following the control actions carried out, bilateral control minutes were drawn up and subsequently Finding Notes, including the recommendations and implementing measures for the irregularities / non-conformities found. These documents were forwarded to the General Manager, for reviewal and approval.

Through the documents prepared, the control team within the Office of Financial Control Management established measures, deadlines and responsible persons in order to remedy the deficiencies found. In each of the actions carried out, it was verified how the measures ordered by the control documents drawn up in the previous verifications were fulfilled.

From the perspective of the objectives of the financial control activity identified for 2021, as well as the expectations of the Sole Shareholder, the financial control is a function of the executive management that ensures both knowledge and improvement of the management of assets and liabilities and also offers guidance, organization and development of economic and financial activity. The knowledge of the interested parties of the way of carrying out the economic activities, offers the possibility to reveal the gaps and intervenes in the prevention and elimination of the causes that led to their appearance. The financial management control, a component of the internal control, is oriented towards the effectiveness and efficiency of the economic phenomena within DEPOGAZ. Through control, management ensures dynamic, real and accurate information, which leads to valuable conclusions and quality decisions.

During 2021, the measures ordered by the control team were not contested. The measures and recommendations, provided for in the approved control documents, have been fully implemented.

### **Public internal audit activity**

The public internal audit activity is carried out in accordance with the requirements of Law no. 672/2002 on public internal audit, with subsequent amendments and completions and with the provisions of GD no. 1086/2013 for the approval of the General Norms regarding the exercise of the public internal audit activity within the Public Internal Audit Office.

Internal audit includes, but is not limited to, the examination and assessment of the adequacy and effectiveness of the organization's corporate governance, risk management, and internal controls and the quality of performance in fulfilling the responsibilities assigned to the company to achieve strategic, general and specific objectives. assumed of the organization. The purpose of the internal audit is to add value and improve the activities carried out within DEPOGAZ

### **Public internal audit - activity planning**

The public internal audit activity was carried out in accordance with the Annual Audit Plan 2021 (no. 12659 / 18.12.2020) prepared based on the strategy contained in the Multiannual Audit Plan 2021 - 2023 (no. 12658 / 18.12.2020). The plans were reviewed by the Audit Committee and approved by the General Manager in accordance with the legal provisions.

In accordance with the requirements of Law no. 672/2002 regarding the internal public audit and GD no. 1086/2013 for the approval of the General Norms regarding the exercise of the internal public audit were approved by the General Manager and approved by the Audit Committee (Note of the meeting of 17.12.2021) and registered within the legal term:

- The multi-annual public internal audit plan for the period 2022 - 2024 no. 13717 / 17.12.2021;
- Public internal audit plan for 2022 no. 13716 / 17.12.2021.

Within Public Internal Audit department level, a Quality Assurance and Improvement Program (PAIC) was elaborated in all aspects of the public internal audit registered with number 13137 / 08.12.2021. PAIC was approved by the General Manager and approved by the Audit Committee (Note of the meeting of 17.12.2021).

### **Carrying out the public internal audit activity**

#### *Carrying out missions*

According to the Annual Internal Audit Plan in 2021, the missions were carried out:

- In the area of public procurement, the mission with the theme "Evaluation of the procurement process within DEPOGAZ";
- In other areas of activity, the mission requested by UCAAPI (440701 / 02.10.2020) in accordance with the address of SAPI Romgaz SA Mediaș no. 34290 / 02.11.2020 on "Evaluation of the corruption prevention system - 2021".
- In the specific area of the company, 2 missions were carried out:
  - "Evaluation and verification of the investment activity within DEPOGAZ"
  - "Management of fixed assets (own and leased) including capitalization of materials resulting from asset stripping and discard"
- A formalized counseling mission in the area of accessing European funds - "Counselling for the inclusion of projects on the 5th PIC list and / or for maintaining the existing projects in the list"

The audit reports were approved and the auditors' recommendations were accepted and approved by DEPOGAZ's management. No irregularities were found.

#### *Implementation of recommendations*

There are no recommendations left unimplemented from the previous years. The recommendations made by the auditors during the missions carried out in 2021 were implemented on time.

### **Public internal audit activity reporting**

The conclusions of the completed internal audit missions are also presented to the Board of Administration through the Audit Committee. The Public Internal Audit Office reports quarterly to the Audit Committee.

### **Professional training**

At DEPOGAZ level, the conditions for carrying out professional training are ensured in accordance with the requirements of Law no. 672/2012. The approved budget covers the necessary professional training costs, as the management of the company makes certain to ensure the continuous professional training.

### ***Evaluation of the General Manager***

During the meeting of the Nomination and Remuneration Committee on 26.02.2020, the Evaluation Policy of the Board of Administration of SNGN Romgaz SA - Depogaz Ploiești SRL Natural Gas Storage Subsidiary was approved, the document being approved by the Decision of the Board of Administration no. 4 / 26.02.2020

- **General Manager**

During the meeting of the Nomination and Remuneration Committee on 15.04.2022, the evaluation of the General Manager for **2021** was approved according to the evaluation questionnaire from Annex 2 of the Evaluation Policy of the Board of Administration, approved by the Decision of the Board of Administration no. 4 / 26.02.2020.

The evaluation resulted in the following conclusions:

- The key performance targets and indicators for 2020 have been met;
- The decisions of the Sole Shareholder, the Decisions of the Board of Administration as well as the key performance indicators of the directors for 2020 were fulfilled;
- The General Manager has demonstrated vision while anticipating correctly the business trends, participated in establishing, coherently and consistently implementing of the mission, vision and value proposition of the company;
- The General Manager has maintained the strategic human resources team and has facilitated teamwork to achieve the objectives;
- The General Manager has demonstrated standards of integrity, ethics and honesty;
- Regarding the execution of the strategy, the General Manager has established objectives, action plans, processes and procedures for the proper implementation of the administration plan;
- The General Manager has implemented a functional organizational structure designed to lead to the achievement of objectives;
- The General Manager has ensured that the company's operations comply with the applicable legal provisions;
- Regarding the relationship with the Board of Administration and the Sole Shareholder, the General Manager has established a good working relationship with all members of the Board, as well as with the Sole Shareholder. The General Manager has made sure that the necessary information was provided on time, at the entailed quality level, and made recommendations accompanied by in-depth evaluations based on the principles included in the company's policies;
- The General Manager ensured an effective, efficient and impartial communication in relationship with the Sole Shareholder;
- The General Manager has communicated the financial and non-financial performance to the stakeholders at least 2 times / year;

- The General Manager has professionally managed media communication, has ensured a climate of permanent dialogue in relation to trade unions, ensuring the best level of employee satisfaction, within the allocated budget;
- The General Manager has put to practice personnel procedures, including but not limiting to promotion and remuneration procedures based on professionalism and proven results that result in teamwork, in order to achieve common goals.
- The General Manager had an outstanding and stable performance through a prudent management policy in line with market developments. Responsibility should also be delegated to the team in a manner that ensures that performance is maintained.